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Message Text

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42
ACTION EUR-12

INFO OCT-01 ISO-00 AF-06 SAM-01 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00

PM-04 H-02 L-03 NSC-05 PA-01 PRS-01 SS-15 AGR-05

INT-05 /103 W
---------- 015171
R 211229Z AUG 75
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 3850
INFO USMISSION EC BRUSSELS
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY PARIS
USMISSION OECD PARIS

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E.O. 11652: N/A
TAGS: ECON, PO
SUBJ: COUNCIL OF MINISTERS AVOIDS HARD ECONOMIC DECISIONS

1. COUNCIL OF MINISTERS MET AUGUST 19 AMID GENERAL EXPECTATIONS THAT IT WOULD APPROVE FAR-REACHING NEW AUSTERITY MEASURES TO COUNTERACT PORTUGAL'S ACCELERATING ECONOMIC SLIDE. INSTEAD, COUNCIL LABORED MIGHTILY FOR SIX AND ONE-HALF HOURS AND CAME FORTH WITH A MOUSE-A HANDFUL OF DECISIONS WHICH DID NOT IN-CLUDE ANY MAJOR ECONOMIC INNOVATIONS OR AUSTERITY MEASURES.

2. DECISIONS TAKEN INCLUDED THE LONG-PROMISED TRANSFER OF STATE-OWNED LAND TO LOCAL COMMUNITIES; ESTABLISHMENT OF A PROJECT TO EXPLOIT IRON PYRITE DEPOSITS IN THE ALENTEJO; AND ABOLISHMENT OF TRANSPORT TAX ON BEASTS OF BURDEN, ANIMAL-DRAWN VEHICLES, AND BICYCLES. COUNCIL ALSO DECREED FORMATION OF A
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STATE AUTHORITY FOR HEAVY MACHINERY INDUSTRY (A SECTOR PRE-

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VIOUSLY SLATED FOR GOVERNMENT INTERNVENTION (LISBON 2190).
FOREIGN INVESTMENT CODE AND DELINITATION OF PUBLIC AND PRIVATE
SECOTRS WERE ALSO DISCUSSED, BUT NO FINAL DECISIONS TAKEN.

3. COMMENT: IN ELEVEN DAYS SINCE NEW COUNCIL OF MINISTERS
TOOK OFFICE, A MINOR FLURRY OF "ECONOMIC" MEASURES HAVE BEEN
ADOPTED. THEY HAVE INCLUDED, IN ADDITION TO THOSE MENTIONED
ABOVE, APPROVAL IN PRINCIPLE OF $600 MILLION ALQUEVA DAM
PROJECT IN THE ALENTEJO AND NATIONALIZATION OF CUF (LISBON 4651).
THESE "MAKE-WORK" DECREES, ALONG WITH INCONCLUSIVE AUGUST 19
TV SPEECH BY PLANNING AND ECONOMIC COORDINATION MINISTER MARIO
MURTEIRA, SEEM DESIGNED TO OBSECURE FACT THAT
GOP REMAINS PARALYZED AND HAS NOT FORMULATED DEFINITE ATTACK
ON NATION'S ECONOMIC DETERIORATION.
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Disposition Authority: RowellE0
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